

**COLORADO CASUALTY INSURANCE COMPANY  
10700 EAST GEDDES AVENUE  
SUITE 300  
ENGLEWOOD, COLORADO 80112**

**NAIC COMPANY # 41785**

**MARKET CONDUCT EXAMINATION REPORT  
AS OF DECEMBER 31, 2002**

**COLORADO DEPARTMENT OF REGULATORY AGENCIES  
DIVISION OF INSURANCE**

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**Prepared by**

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**Paula M. Sisneros, AIS**

**Market Conduct Examiners**

October 15, 2003

The Honorable Doug Dean  
Commissioner of Insurance  
State of Colorado  
1560 Broadway Suite 850  
Denver, Colorado 80202

Commissioner:

In accordance with sections 10-1-203 and 10-3-1106, C.R.S., an examination of selected underwriting and claims practices in the homeowner, dwelling fire and automobile insurance business of Colorado Casualty Insurance Company has been conducted. The company's records were examined at its corporate office located at 10700 East Geddes Avenue, Suite 300, Aurora, Colorado 80112.

The examination covered a twelve-month period from January 1, 2002 to December 31, 2002.

A report of the examination of Colorado Casualty Insurance Company is herein respectfully submitted.

John J. Postolowski, CIE, MA, FLMI, AIRC, ACS

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OF  
COLORADO CASUALTY INSURANCE COMPANY**

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### **COMPANY PROFILE**

Colorado Casualty Insurance Company (CCIC) was incorporated under the laws of the State of Colorado April 24, 1980. The Company commenced business November 27, 1981. The sole shareholder of the Company was Colorado Management Corporation, which was formed for the sole purpose of organizing and capitalizing the company. Colorado Management Corporation sold the Company December 24, 1986, to Colonial Indemnity Insurance Company, Kingston, N.Y. On January 1, 1988, the Company was sold to Providence Washington Insurance Company of Provident, R.I. The Company was sold to Guaranty National Insurance Company, effective October 26, 1992.

The Company was subsequently purchased by Liberty Mutual Insurance Company (LMIC), the current parent, from Guaranty National Insurance Company on September 19, 1998. All the stock of Colorado Casualty Insurance Company is held by LMIC.

CCIC is part of a group of companies within Liberty Mutual that use the independent agency distribution system. This group of companies is referred to as Regional Agency Markets or "RAM". Although CCIC holds Certificate of Authority in 21 states, the RAM companies have been assigned certain states for their region. The CCIC region currently consists of six states: Colorado, Wyoming, Arizona, Utah, New Mexico, and Nevada. However, at the end of 2002 there was still some run-off business in: Washington, Idaho, Montana, Kansas, Missouri and Georgia.

Currently CCIC writes commercial lines in all six states in its region and writes personal auto and homeowners in both Colorado and Wyoming. In Colorado, CCIC is authorized to transact General Property, Motor Vehicle, General Casualty, Fidelity and Surety, Workers Compensation and Professional Malpractice. The premium writings on 12/31/2002 for personal auto is \$1,803, 439 and for homeowners is \$1,589,292. The Company's Colorado market share is .06%\* for private passenger auto and .52%\* for homeowner and farm owner combined.

CCIC is licensed in the following states: Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Illinois, Kansas, Louisiana, Missouri, Montana, Nevada, New Mexico, North Carolina, Oregon, South Carolina, Texas, Utah, Washington, Wisconsin and Wyoming.

\*2002 Colorado Market Share and Loss Ratio Report

### **PURPOSE AND SCOPE OF EXAMINATION**

The purpose of this examination was to audit the business practices of Colorado Casualty Insurance Company (hereinafter referred to as Company) as applicable to homeowner, dwelling fire and private passenger automobile insurance in the State of Colorado. This procedure is in accordance with section 10-1-203, C.R.S., which empowers the Commissioner to examine insurance companies. The findings in this report, including all work product developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The purpose of the examination was to determine the Company's compliance with Colorado insurance law and with generally accepted operating principles related to homeowner, dwelling fire and private passenger automobile insurance laws. Examination information contained in this report should serve only these purposes. The conclusions and findings of this examination are public record. The preceding statements are not intended to limit or restrict the distribution of this report.

This examination was governed by, and performed in accordance with, procedures developed by the National Association of Insurance Commissioners and the Colorado Division of Insurance. In reviewing material for this report the examiners relied primarily on records and material maintained by the Company. The examination covers one twelve-month period of the Company's operations, from January 1, 2002 to December 31, 2002.

File sampling was based on a review of underwriting and claim files that were randomly selected using Audit Command Language (ACL) software and computer data files provided by the company. Sample sizes were chosen based on guidance from procedures developed by the National Association of Insurance Commissioners. Upon review of each file, any concerns or discrepancies were noted on comment forms. These comment forms were delivered to the Company for review. Once the Company was advised of a finding contained in a comment form, the Company had the opportunity to respond. For each finding the Company was requested to agree, disagree or otherwise justify the Company's noted action. At the conclusion of each sample, the Company was provided a summary of the findings for that sample. The report of the examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as references to any practices, procedures, or files that manifested no improprieties were omitted.

An error tolerance level of plus or minus \$10.00 was allowed in most cases where monetary values were involved. However, in cases where monetary values were generated by computer or other system a \$0 tolerance level was applied in order to identify possible system errors. Additionally, a \$0 tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's rates on file with the Colorado Division of Insurance.

When sampling was involved, a minimum error tolerance level of five percent (5%) was established to determine reportable exceptions. However, if an issue appeared to be systemic, or when due to the sampling process it was not feasible to establish an exception percentage, a minimum error tolerance percentage was not utilized. Also, if more than one sample was reviewed in a particular area of the examination (e.g. timeliness of claims payment), and if one or more of the samples yielded an exception rate of five percent (5%) or more, the results of any other samples with exception percentages less than five percent (5%) were also included.

The examination included review of the following four Company operations:

1. Operations
2. Underwriting
3. Rating
4. Claims Practices

Some unacceptable or non-complying practices may not have been discovered in the course of this examination. Failure to identify or criticize specific Company practices does not constitute acceptance by the Colorado Division of Insurance. Examination findings may result in administrative action by the Division of Insurance.



**EXAMINERS' METHODOLOGY**

The examiners reviewed the Company's underwriting and claim practices for homeowner, dwelling fire and private passenger automobile insurance to determine compliance with the Colorado insurance law as shown in Exhibits 1-3.

**Exhibit 1, Homeowner**

Law	Subject
Section 10-1-127	Fraudulent Insurance Acts
Section 10-4-110.7	Cancellation, Nonrenewal
Section 10-4-111	Disclosure Forms
Section 10-4-112	Property Damage
Section 10-4-114	Hazard Insurance
Section 10-3-1104.	Unfair methods of competition and unfair or deceptive acts or practices.
Regulation 1-1-7.	Market Conduct Record Retention.
Regulation 5-1-2.	Application and Binder Forms.
Regulation 5-1-10.	Rate and Rule Filing Regulation
Regulation 5-1-16.	Limitations on the Use of Credit Information or Insurance Scoring.

**Exhibit 2, Dwelling Fire**

Law	Subject
Section 10-1-127	Fraudulent Insurance Acts
Section 10-4-111	Disclosure Forms
Section 10-4-112	Property Damage
Section 10-4-114	Hazard Insurance
Section 10-3-1104.	Unfair methods of competition and unfair or deceptive acts or practices.
Regulation 1-1-7.	Market Conduct Record Retention.
Regulation 5-1-2.	Application and Binder Forms.
Regulation 5-1-10.	Rate and Rule Filing Regulation
Regulation 5-1-16.	Limitations on the Use of Credit Information or Insurance Scoring.
Regulation 6-1-1.	Limiting coverage.
Regulation 6-2-1.	Complaint Record Maintenance.
Regulation 6-2-2.	Responses to Division Inquiries Regarding Complaints.

**Exhibit 3, Private Passenger Auto**

Law	Subject
Section 10-1-127	Fraudulent Insurance Acts
Section 10-4-602.	Basis for Cancellation.
Section 10-4-603.	Notice.
Section 10-4-604.	Nonrenewal.
Section 10-4-605.	Proof of notice.
Section 10-4-609.	Insurance protection against uninsured motorists-applicability.
Section 10-4-610.	Property damage protection against uninsured motorists.
Section 10-4-611.	Elimination of discounts – damage by uninsured motorist.
Section 10-4-613.	Glass repair and replacement.
Section 10-4-614.	Inflatable restraint systems - replacement - verification of claims.
Section 10-4-706.	Required coverages - complying policies - PIP examination program.
Section 10-4-706.5.	Operator's policy of insurance.
Section 10-4-707.5.	Ridesharing arrangements - benefits payable - required coverage.
Section 10-4-708.	Prompt payment of direct benefits.
Section 10-4-709.	Coordination of benefits.
Section 10-4-710.	Required coverages are minimum.
Section 10-4-711.	Required provision for intrastate and interstate operation.
Section 10-4-713.	No tort recovery for direct benefits.
Section 10-4-714.	Limitation on tort actions.
Section 10-4-715.	No limitation on tort action against non-complying tortfeasors.
Section 10-4-717.	Intercompany arbitration.
Section 10-4-718.	Quarterly premium payments.
Section 10-4-719.	Prohibited reasons for nonrenewal or refusal to write a policy of automobile insurance applicable to this part 7.
Section 10-4-719.5.	Discriminatory standards - premiums - surcharges - proof of financial responsibility requirements.
Section 10-4-719.7.	Refusal to write, changes in, cancellation, or nonrenewal of policies prohibited.
Section 10-4-720.	Cancellation - renewal - reclassification.
Section 10-4-721.	Exclusion of named driver.
Section 10-4-724.	Reduction in rates for drivers aged fifty-five years or older who complete a driver's education course - legislative declaration.
Section 10-4-725.	Certification of policy and notice forms.
Section 10-3-1103.	Unfair methods of competition and unfair or deceptive acts or practices prohibited.

Section 10-3-1104.	Unfair methods of competition and unfair or deceptive acts or practices.
Regulation 1-1-7.	Market Conduct Record Retention.
Regulation 5-1-2.	Application and Binder Forms.
Regulation 5-1-10.	Rate and Rule Filing Regulation
Regulation 5-1-16.	Limitations on the Use of Credit Information or Insurance Scoring.
Regulation 5-2-1.	Relative Value Schedule for No Fault.
Regulation 5-2-2.	Renewal of Automobile Insurance Policies – Excluded Named Drivers.
Regulation 5-2-3.	Auto Accident Reparations Act (No Fault) Rules and Regulations.
Regulation 5-2-6.	Automobile No Fault Cost Containment Options.
Regulation 5-2-8.	Timely Payment of Personal Protection Benefits.
Regulation 5-2-9.	Personal Injury Protection Examination Program.
Regulation 6-1-1.	Limiting coverage.
Regulation 6-2-1.	Complaint Record Maintenance.
Regulation 6-2-2.	Responses to Division Inquiries Regarding Complaints.

### Company Operations

The examiners reviewed Company operations including record retention, installment payment plans, anti-fraud plan, forms certification, and timely cooperation with the examination process.

### Producers

The examiners reviewed new business applications written in the State of Colorado for the period under examination against the list of producers provided by the Company.

### Contract Forms and Endorsements

The following Homeowner forms and endorsements applicable to the period under examination, previously certified with the Colorado Division of Insurance on June 26, 2002, were reviewed for compliance:

Title	Form
Homeowners 3 – Special Form	HO 00 03 04/91
Homeowners 4 – Contents Broad Form	HO 00 04 04/91
Homeowners 6 – Unit-Owners Form	HO 00 06 04/91
Special Personal Property Coverage	HO 00 15 04/91
Additional Interests – Residence Premises	HO 04 10 04/91
Increased Limits on Business Property	HO 04 12 04/91
Sections I and II Exclusions For Computer-Related Damage or Injury	HO 04 13 09/98
Special Computer Coverage	HO 04 14 04/91
Premises Alarm or Fire Protection System	HO 04 16 04/91
Loss Assessment Coverage	HO 04 35 04/91

Loss Assessment Coverage For Earthquake	HO 04 36	04/91
Structures Rented to Others – Residence Premises	HO 04 40	04/91
Additional Insured – Residence Premises	HO 04 41	04/91
Permitted Incidental Occupancies – Residence Premises	HO 04 42	04/91
Residence Premises – 3 or 4 Family Dwelling	HO 04 44	04/91
Inflation Guard	HO 04 46	04/91
Other Structures-Increased Limits	HO 04 48	04/91
Building Additions and Alterations – Other Residences	HO 04 49	04/91
Increased Limits On Personal Property in Other Residences	HO 04 50	04/91
Building Additions and Alterations Increased Limit – Form HO 00 04	HO 04 51	04/91
Credit Card, Fund Transfer Card, Forgery and Counterfeit Money Coverage – Increased Limit	HO 04 53	04/91
Earthquake	HO 04 54	04/91
Coverage C Increased Special Limits of Liability (Specified Perils)	HO 04 65	04/91
Coverage C Increased Special Limits of Liability (Special Perils)	HO 04 66	04/91
Ordinance or Law – Increased Amount of Coverage	HO 04 77	06/94
Residence Rental Theft	HO 04 80	04/91
Personal Property Replacement Cost	HO 04 90	04/91
Coverage B – Off Premises	HO 04 91	04/91
Specific Structures Away From the Residence Premises	HO 04 92	04/91
No Section II – Liability Coverages for Home Day Care Business Limited Section I – Property Coverages For Home Day Care Business	HO 04 96	04/91
Refrigerated Property Coverage	HO 04 99	04/91
Sinkhole Collapse	HO 04 66	04/91
Change Endorsement	HO 12 45	04/91
Unit-Owners Coverage C, Special Coverage, Form HO 00 06 Only	HO 17 31	04/91
Unit-Owners Coverage A, Special Coverage, Form HO 00 06 Only	HO 17 32	04/91
Permitted Incidental Occupancies – Other Residences	HO 24 43	04/91
Additional Residence Rented To Others 1, 2, 3, or 4 Families	HO 24 70	04/91
Watercraft	HO 24 75	04/91
Special Provisions - Colorado	80-1CO	03/02
Replacement or Repair Cost Protection	80-2	11/93
Builders; Risk Theft Coverage	80-4	04/00
Resort Condominium Unit-Owners Special Provisions – Form HO 00 06	80-5	03/02
Other Structures Exclusion	80-8	08/95
Golf Cart Coverage Extension	80-10	08/95
Fire Department Service Charge Increased Limits	80-12	04/96
Water Back Up of Sewers and Drains Coverage	80-19	04/00
Homeowners Ultra Plus Endorsement – Form HO 00 03	80-23	02/99

Secondary Residence Theft	80-24	03/02
Homeowners Ultra Plus Endorsement – Form HO 00 06	80-26	02/99
Lead Liability Exclusion	80-27B	03/02
Homeowners Special Ultra Plus Endorsement – Form HO 00 03	80-33	02/99
Homeowners Special Ultra Plus Endorsement – Form HO 00 06	80-36	02/99
Special Homeowners Protective Endorsement	80-107	02/99
Scheduled Personal Property Endorsement	80-114	09/97
Homeowners Amendatory Provisions – Form HO 00 03	81-3CD	01/98
Homeowners Amendatory Provisions – Form HO 00 04	81-4CD	01/98
Homeowners Amendatory Provisions – Form HO 00 06	81-6CD	01/98

The following Dwelling Fire forms and endorsements applicable to the period under examination, previously certified with the Colorado Division of Insurance on June 25, 2002, were reviewed for compliance:

Declarations	DWDEC	04/94
Amended Declarations (for policy changes)	DWDEC2	04/94
Dwelling Property 1 – Basic Form	DP 00 01	07/88
Dwelling Property 2 – Broad Form	DP 00 02	07/88
Dwelling Property 3 – Special Form	DP 00 03	07/88
Modified Loss Settlement – Form DP 00 01 Only)	DP 00 08	07/88
Special Provisions - Colorado	DP 01 05	10-94
Windstorm or Hail Percentage Deductible	DP 03 12	05/94
Automatic Increase in Insurance	DP 04 11	07/88
Additional Living Expense – Form DP 00 01 Only	DP 04 14	07/88
Trees, Shrubs and Other Plants – Form DP 00 01 Only	DP 04 17	06 94
Windstorm or Hail – Broad Form and Special Form	DP 04 18	07/88
Windstorm or Hail – Radio and Television Antennas, Awnings and Signs	DP 04 19	07/88
Permitted Incidental Occupancies	DP 04 20	07/88
Improvements, Alterations and Additions	DP 04 31	07 88
Additional Insured – Described Location	DP 04 41	07/88
Loss Assessment Property Coverage	DP 04 63	06/94
Special Coverage	DP 04 65	07/88
Loss Assessment Coverage For Earthquake	DP 04 68	07/88
Earthquake	DP 04 69	06/94
Premises Alarm or Fire Protection System	DP 04 70	07/88
Ordinance or Law – Increased Amount of Coverage – Forms DP 0002 and DP 00 03 Only	DP 04 71	06/94
Broad Theft Coverage	DP 04 72	07 88
Limited Theft Coverage	DP 04 73	07/88
Ordinance or Law Coverage – Form DP 00 01 Only	DP 04 74	06/94
Actual Cash Value Loss Settlement – Windstorm or Hail Losses to Roof Surfacing	DP 04 75	05/94
Water Back Up and Sump Overflow	DP 04 95	11/92

Sinkhole Collapse	DP 04 99	07/88
Dwelling Under Construction	DP 11 43	07/88
Change Endorsement	DP 12 10	07/88
Unit-Owners Coverage	DP 17 66	07 88
Roof Damage Exclusion	CC-13	04/84
Outbuildings Exclusion Endorsement	CC 17	07 85
Special Provisions - Colorado	DL 01 05	10 94
Personal Liability	DL 24 01	07 88
Personal Liability – Additional Policy Conditions	DL 24 02	07 88
Personal Liability Schedule	DL 24 03	07 88
Additional Residence Rented to Others	DL 24 04	07 88
Additional Insured	DL 24 10	07 88
Premises Liability	DL 24 11	07 88
Loss Assessment Liability Coverage	DL 24 14	07 88
No Coverage for Home Day Care Business	DL 24 16	07 88
Personal Injury	DL 24 82	06 94
Special Provisions - Colorado	DL 25 05	10 94

The following Private Passenger Auto forms and endorsements applicable to the period under examination, previously certified with the Colorado Division of Insurance on June 25, 2002, were reviewed for compliance:

Title	Form	
Personal Auto Policy	PP 00 01	06 98
Amendment of Policy Provisions	PP 01 61	10 92
Suspension of Insurance	PP 02 01	08 86
Reinstatement of Insurance	PP 02 02	08 86
Federal Employees Using Autos in Government Business	PP 03 01	06 98
Optional Limits Transportation Expenses Coverage	PP 03 02	06 98
Towing and Labor Costs coverage	PP 03 03	04 86
Loss Payable Clause	PP 03 05	08 86
Extended non-owned coverage for named individual	PP 03 06	06 94
Trailer/Camper Body Coverage (Maximum Limit Liability)	PP 03 07	06 98
Coverage for damage to your auto	PP 03 08	06 94
Change Endorsement	PP 03 10	06 94
Single liability limit	PP 03 09	06 98
Coverage for Excess Sound Reproducing Equipment, Audio, Visual and Data Electronic Equipment, and Tapes, Records, Discs and Other Media	PP 03 13	06 98
Customizing Equipment Coverage	PP 03 18	06 98
Additional Insured – Lessor	PP 03 19	08 86
Snowmobile Endorsement	PP 03 20	06 98
Named Non-Owner Coverage	PP 03 22	06 98
Miscellaneous Type Vehicle Endorsement	PP 03 23	06 98
Miscellaneous Type Vehicle Endorsement (Motor Homes)	PP 03 28	06 98

Certificate of Insurance (Trusts)	PP 03 33	06 98
Joint Ownership Coverage	PP 03 34	06 98
Auto Loan/Lease Coverage	PP 03 35	09 93
Mexican Collision Coverage – Colorado	PP 03 57	06 98
Uninsured Motorists Coverage – Colorado	PP 04 25	07 02
Property Damage Uninsured Motorists Coverage - Colorado	PP 04 37	04 99
Personal Injury Protection Coverage - Colorado	PP 05 61	12 01
Optional Reduced Personal Injury Protection Coverage - Colorado	PP 05 94	12 01
Coverage for Damage to your Auto Loss Settlement Amendment	PP 13 01	12 99
Named Driver Exclusion Endorsement - Colorado	90-3aCO	03 02
Named Driver Exclusion Endorsement - Colorado	90-3bCO	03 02
Personal Auto Special Provisions	91-5	04 00
Personal Auto Ultra Plus Special Provisions	91 10	04 00
Colorado Personal Auto Application	ACCORD 90CO	01 99
Colorado Personal Auto Application Supplement	90-61CO	04 02

#### **New Business /Cancellations/Nonrenewals/Surcharges/Rejections/Renewals**

For the period under examination, the examiners systematically selected the following underwriting samples to determine compliance with underwriting practices:

Review Lists	Population	Sample Size	Percentage to Population
Homeowner, Dwelling Fire New Business	2,685	50	2%
Homeowner, Dwelling Fire Cancellations	67	50	75%
Homeowner, Dwelling Fire Nonrenewals	178	50	28%
Homeowner, Dwelling Fire Cancellations for Nonpayment	163	50	31%
Private Passenger Auto New Business	1,498	50	3%
Private Passenger Auto Nonrenewals	9	9	100%
Private Passenger Auto Cancelled for Nonpayment	57	50	88%
Private Passenger Auto Cancelled in First 59 Days	101	50	50%
Private Passenger Auto Renewed	290	50	17%

**Rating**

The examiners reviewed the homeowner and private passenger auto rate, rule filings, statistical justifications, and methodology submitted to Colorado Division of Insurance for the period under examination. This information was then compared against a sample of new business and renewal policies and rated by each coverage to determine compliance with base rates, territory codes, symbols, class plans, discounts, tier-rating factors, and final premium calculations.

**Claims**

For the period under examination, the examiners systematically selected the following samples to determine compliance of claims handling practices and claims manual rules:

Review Lists	Population	Sample Size	Percentage to Population
Homeowner, Dwelling Fire Paid Claims	208	50	24%
Homeowner, Dwelling Fire Denied Claims	18	18	100%
Homeowner, Dwelling Fire Claims	185	50	27%
Private Passenger Auto All Claims Paid	163	50	31%
Private Passenger Auto PIP Claims Paid	19	19	100%
Private Passenger Auto Claims Denied	4	4	100%



### **EXAMINATION REPORT SUMMARY**

The examination resulted in a total of ten (10) issues arising from the Company's apparent noncompliance with Colorado law, statutes and regulations concerning all property and casualty insurers operating in Colorado. These ten (10) issues fell into four (4) main categories as follows:

#### **Operations:**

These four (4) issues arise from Colorado statutory and regulatory requirements regarding the maintenance of records for market conduct examinations the certification of private passenger auto forms in use during the period under examination and the use of rates during the period under examination.

- Failure to maintain some records for market conduct examinations.
- Using a form that was not certified for use during the period under examination
- Failure to have a policy form or an endorsement attached to the policy that describes the limitations and applicable penalties if a Cost Containment Option is chosen and not used.
- Using a rating component that was not filed during the period under examination.

#### **Homeowner, Dwelling Fire Underwriting:**

This one (1) issue arose from Colorado statutory and regulatory requirements regarding cancellation. Cancellation notices must specifically state the reason for cancellation. The issue on noncompliance is as follows:

- In some cases, cancelling a dwelling fire policy for reasons not permitted by the policy conditions.

#### **Private Passenger Auto Underwriting:**

These three (3) issues arise from Colorado statutory and regulatory requirements regarding new business nonrenewal, refusal to insure. A signed Cost Containment disclosure form must accompany new Business applications. Nonrenewal notices must advise the insured of certain information, rights and instructions. Under certain circumstances, a refusal to insure must be accompanied by an offer to continue coverage with a certain operator excluded.

- Failure, in some cases, to offer to exclude the person with the claim or driving record problem and continue coverage for another household member.
- Failure to comply with notice requirements when nonrenewing an auto policy.
- Failure, in some cases, to obtain a signed PIP Cost Containment Form.

#### **Claims Practices:**

These two (2) issues arise from Colorado statutory and regulatory requirements regarding statements included with claim payments, equitable settlement of claims, prompt action upon communications with respect to claims, notice required when there is a delay in payment of PIP benefits and timely payment of PIP benefits. The issues of noncompliance are identified as follows:

- Failure, in some cases, to send a letter to the claimant and/or health care provider setting forth reasons why additional time is needed to investigate a claim.
- Failure, in some cases, to pay personal injury protection benefits in the timely manner required by Colorado insurance law.

**COLORADO CASUALTY INSURANCE COMPANY**

**PERTINENT FACTUAL FINDINGS**

**MARKET CONDUCT EXAMINATION REPORT**

**PERTINENT FACTUAL FINDINGS**

**OPERATIONS**

<b>Issue A: Failure to maintain some records for market conduct examinations.</b>
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Colorado Insurance Regulation 1-1-7, Market Conduct Record Retention, promulgated under the authority of Section 10-1-109, C.R.S., states, in part:

**Section 4 Records Required For Market Conduct Purposes**

- A. Every entity subject to the Market Conduct process shall maintain its books, records, documents and other business records in a manner so that the following practices of the entity subject to the Market Conduct process may be readily ascertained during market conduct examination, including but not limited to, company operations and management, policyholder services, claim's practices, rating, underwriting, marketing, complaint grievance handling, producer licensing records, and additionally for health insurers/carriers or related entities: network adequacy, utilization review, quality assessment and improvement, and provider credentialing. Records for this regulation regarding market conduct purposes shall be maintained for the current calendar year plus two prior calendar years.

**Private Passenger Auto PIP Paid Claims**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
<b>19</b>	<b>19</b>	<b>3</b>	<b>16%</b>

An examination of nineteen (19) files, representing 100% of all private passenger auto PIP claims paid by the Company during the exam period revealed three (3) exceptions (16% of the sample) wherein the company failed to maintain adequate records for market conduct examination. In two (2) exceptions, the Company could not provide the files. In one (1) exception, the Company's file did not reveal the date of receipt for the application for PIP benefits.

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**Recommendation No. 1:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 1-1-7. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its procedures regarding maintenance of records to ensure compliance with Colorado insurance law.

**Issue B: Using a form that was not certified for use during the period under examination.**

10-4-725, C.R.S., Certification of policy and notice forms, states, in part:

- (1) All insurers providing automobile insurance and who are authorized by the commissioner to conduct business in Colorado shall submit an annual report to the commissioner listing any policy forms, endorsements, *cancellation notices*, renewal notices, disclosure forms, notices of proposed premium increases, notices of proposed reductions in coverage, and such other forms as may be requested by the commissioner issued or delivered to any policyholder in Colorado. Such listing shall be submitted by July 15, 1993, and not later than July 1 of each subsequent year and shall contain a certification by an officer of the organization that to the best of the officer's knowledge each policy form, endorsement, or notice form in use complies with Colorado law. The necessary elements of the certification shall be determined by the commissioner.
- (2) All insurers providing automobile insurance and who are authorized by the commissioner to conduct business in Colorado shall also submit to the commissioner a list of any new policy form, endorsement, *cancellation notice*, renewal notice, disclosure form, notice of proposed premium increase, notice of proposed reductions in coverage, and any other form as may be requested by the commissioner at least thirty-one days before using such policy form, endorsement, cancellation notice, renewal notice, disclosure form, notice of proposed premium increase, notice of proposed reductions in coverage, and any other form as may be requested by the commissioner. Such listing shall also contain a certification by an officer of the organization that to the best of the officer's knowledge each new policy form, endorsement, or notice form proposed to be used complies with Colorado law. The necessary elements of the certification shall be determined by the commissioner.
- (3) The commissioner shall have the power to examine and investigate insurers authorized to conduct business in Colorado to determine whether automobile policy forms, endorsements, *cancellation notices*, renewal notices, disclosure forms, notices of proposed premium increases, notices of proposed reductions in coverage, and such other forms as may be requested by the commissioner comply with the certification of the organization and statutory mandates. [Emphases Added.]

The Company used form number U-5866 REV. 7/90 to cancel and nonrenew private passenger automobile policies. The form was not certified for use during the period under examination.

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**Recommendation No. 2:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-4-725, C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its procedures regarding certification and use of policy forms to ensure compliance with Colorado insurance law.

**Issue C: Failure to have a policy form or an endorsement attached to the policy that describes the limitations and applicable penalties if a Cost Containment Option is chosen and not used.**

Colorado Regulation 5-2-6 [amended], Auto No-Fault Cost Containment Options, promulgated under the authority of sections 10-1-109 and 10-4-706(2), effective December 1, 2000, states, in part: ...

## Section 3 Rule

## B. Cost Containment Options

3. Insurers offering any of the cost containment options must have *a provision in the automobile insurance policy or in an endorsement attached to the policy*, which describes the options(s) and states and conditions or limitations. The limitations under the HMO or PPO options must clearly set forth the manner in which benefits will be determined if an injured party voluntarily incurs expenses outside the HMO or PPO provider network [emphasis added].
4. Any policy form containing a cost containment option must be certified by the insurer pursuant to §10-4-725, C.R.S.
5. Insurers shall disclose in the same medium as that in which the application was taken, or in written form, the following information regarding managed care options:
  - a. That automobile insurance policies in Colorado may include optional managed care arrangements, including, but not limited to, HMO's and PPO's and an explanation of what managed care is and how it affects the consumer;
  - b. *A reasonable explanation of the applicable limitations, presented in easy understandable terms, including any applicable penalties realized if an injured party utilizes non-network providers when an HMO or PPO is selected* [emphasis added]. This should include how these limitations affect the consumer and that authorization of care will be determined by the insurer or the insurer's representative.
  - c. Whether the insurer offers such cost containment options, together with a means for the applicant to indicate the option selected; and, if so, the disclosure shall indicate that potential cost savings may be obtained if an insurer chooses to accept a managed care option.
  - d. In conspicuous print, that the applicant or policyholder should carefully read the discloser form before signing the form.
  - e. The date of the selection; and
  - f. An area for the applicant's signature.

The Company used a form that did not adequately explain the limitations and applicable penalties if a chosen Cost Containment Option was not used. It was not a specific provision of the policy nor was it attached to the policy as an endorsement.

**Recommendation No. 3:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 5-2-6. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its procedures to ensure compliance with Colorado insurance law.



**Issue D: Using a rating component that was not filed during the period under examination.**

Section 10-4-401, C.R.S., Purpose – applicability, states, in part:

(3) The kinds of insurance subject to this part 4 shall be divided into two classes, as follows:

- (b) Type II kinds of insurance, regulated by open competition between insurers, including fire, casualty, inland marine, title, medical malpractice by a joint underwriting association regulated under part 9 of this article, credit, workers' compensation and employer's liability incidental thereto and written in connection therewith for rates filed by insurers, and all other kinds of insurance that are subject to this part 4 and not specified in paragraph (a) of this subsection (3), including the expense and profit components of workers' compensation insurance, which shall be subject to all the provisions of this part 4 except for sections 10-4-405 and 10-4-406. Concurrent with the effective date of new rates, type II insurers shall file rating data, as provided in section 10-4-403, with the commissioner; except that credit life and credit accident and health insurers shall file schedules of premium rates pursuant to sections 10-10-109 and 10-10-110.

Colorado Insurance Regulation 5-1-10, Rate And Rule Filing Submissions Property And Casualty Insurance, states, in part:

Section 5. Rules

C. Rule Filing General Requirements

- 2. Every property and casualty company, including those writing workers' compensation and title insurance, is required by this regulation to provide a list of minimum premiums, schedule of rates, rating plans, dividend plans, individual risk modification plans, deductible plans, rating classifications, territories, rating rules, rate manuals and every modification of any of the foregoing which it proposes to use. Such filings must state the proposed effective date thereof, and indicate the character and extent of the coverage contemplated.

The Company charged an additional premium of \$9.00 for adding Endorsement PL01HO Edition 10/00, Guaranteed Replacement Cost Protection to homeowner policies. This item was not filed with the Colorado Division of Insurance as part of the rate filing.

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**Recommendation No. 4:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-4-401, C.R.S. and Colorado Regulation 5-1-10. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its rate filing to ensure compliance with Colorado insurance law.

**PERTINENT FACTUAL FINDINGS**

**HOMEOWNER**

**PERTINENT FACTUAL FINDINGS**

**UNDERWRITING**

**Issue E: In some cases, cancelling a dwelling fire policy for reasons not permitted by the policy conditions.**

Section 10-4-110.7, C.R.S., Notice of intent prior to cancellation or nonrenewal of policies of homeowner's insurance, states, in part:

No insurer shall cancel or refuse to renew a policy of homeowner's insurance unless such insurer mails by first-class mail to the named insured, at the last address shown in the insurer's records, at least thirty days in advance a notice of its intended action which specifically states the reasons for proposing to take such action; but, where cancellation is for nonpayment of premium, at least ten days' notice of cancellation accompanied by the reasons therefore shall be given.

The Company's Dwelling Property 3 Special Form (Ed. 7-88) Policy Conditions:

Cancellation.

- a. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.
- b. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations.

Proof of mailing will be sufficient proof of notice.

- (1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
- (2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
- (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
  - (a) if there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or
  - (b) if the risk has changed substantially since the policy was issued.

This can be done by letting you know at least 30 days before the date cancellation takes effect.

**Homeowner and Dwelling Fire Policies Cancelled for underwriting reasons by the Company**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
<b>67</b>	<b>50</b>	<b>3</b>	<b>6%</b>

An examination of fifty (50) files, representing 75% of all homeowner and dwelling fire policies cancelled by the Company for underwriting reasons during the exam period revealed three (3) exceptions (6 % of the sample) wherein the company failed to send a notice of cancellation that complies with its own policy conditions.

In three (3) instances, the Company cancelled a dwelling fire policy that was in force sixty (60) or more days for reasons other than material misrepresentation or substantial change in risk since issue. In all three (3) instances, the reason for the Company's action was inability to obtain certain underwriting information; a photo, a replacement cost estimation worksheet and driving directions to the insured property.

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**Recommendation No. 5:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-4-110.7, C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its procedures regarding cancellation of dwelling fire policies to ensure compliance with Colorado insurance law.

**PERTINENT FACTUAL FINDINGS**

**PRIVATE PASSENGER AUTO**

**PERTINENT FACTUAL FINDINGS**

**UNDERWRITING**

**Issue F: Failure to comply with notice requirements when nonrenewing auto policies.**

Section 10-4-720, C.R.S. Cancellation - renewal – reclassification, states, in part.

- (1) Except in accordance with the provisions of this part 7, no insurer shall cancel or fail to renew a policy of insurance which complies with this part 7, issued in this state, as to any resident of the household of the named insured, for any reason other than nonpayment of premium, or increase a premium for any coverage on any such policy unless the increase is part of a general increase in premiums filed with the commissioner and does not result from a reclassification of the insured, or reduce the coverage under any such policy unless the reduction is part of a general reduction in coverage filed with the commissioner or to satisfy the requirements of other sections of this part 7.
- (2) An insurer intending to take an action subject to the provisions of this section shall, on or before thirty days prior to the proposed effective date of the action, send written notice by first-class mail of its intended action to the insured at his last known address. The notice shall be in triplicate and shall state in clear and specific terms, on a form which has been certified by the insurer and the insurer has filed a certification with the commissioner that such notice form conforms to Colorado law and any rules or regulations promulgated by the commissioner:
  - (a) The proposed action to be taken, including, if the action is an increase in premium or reduction in coverage, the amount of increase and the type of coverage to which it is applicable or the type of coverage reduced and the extent of the reduction;
  - (b) The proposed effective date of the action;
  - (c) The insurer's actual reasons for proposing to take such action. The statement of reasons shall be sufficiently clear and specific so that a person of average intelligence can identify the basis for the insurer's decision without making further inquiry. Generalized terms such as "personal habits", "living conditions", "poor morale", or "violation or accident record" shall not suffice to meet the requirements of this subsection (2).
  - (d) If there is coupled with the notice an offer to continue or renew the policy in accordance with section 10-4-721, the name of the person or persons to be excluded from coverage and what the premium would be if the policy is continued or renewed with such person or persons excluded from coverage;
  - (e) The right of the insured to replace the insurance through an assigned risk plan;
  - (f) The right of the insured to protest the proposed action and request a hearing thereon before the commissioner by signing two copies of the notice and sending them to the commissioner within ten days after receipt of the notice;
  - (g) That, if a protest is filed by the insured, the current insurance will remain in effect until a determination is made by the commissioner upon payment of any lawful premium due or becoming due prior to the determination;



- (h) The authority of the commissioner to award reasonable counsel fees to the insured for services rendered to the insured in connection with any such hearing if he finds the proposed action of the insurer to be unjustified.
- (3) Any statement of reasons contained in the notice given pursuant to paragraph (c) of subsection (2) of this section shall be privileged and shall not constitute grounds for any action against the insurer or its representatives or any person who in good faith furnished to the insurer the information upon which the statement is based.
- (4) An insured shall have the right to protest the proposed action of the insurer by signing two copies of the notice and sending them to the commissioner within ten days after receipt of the notice. The commissioner shall, upon receipt of a protest, notify the insurer of the filing of the protest.
- (5) A protest duly filed shall stay the proposed action of the insurer pending a final determination thereof by the commissioner, and the insurer shall keep in full force and effect the same coverage and premium in effect on the day the notice of proposed change was sent until such final determination is made, if any lawful premium due or becoming due prior to such determination is paid.

Colorado Insurance Regulation (5-2-3)(3)(E)(2), AUTO ACCIDENT REPARATIONS ACT (NO FAULT) RULES AND REGULATIONS, jointly promulgated by the Commissioner of Insurance and the Executive Director of the Department of Revenue under the authority of §§ 42-1-204, 10-4-704, 10-4-718, 10-4-719.7, and 10-1-109, C.R.S., states, in part:

- (b) Insurers proposing to cancel, nonrenew, increase premium or reduce coverage shall prominently display on the notice form, within or adjoining the paragraph entitled “Your Right to Protest”, the following premium payment instructions:

In order to continue your coverage during the period the proposed action is protested, you must continue to make payments according to your current premium payment plan until a decision is made by the hearing officer. You may contact your producer (agent) or the company at (phone number) for further information. Please note that the company may bill you later for any premium difference occurring if the company’s action is upheld. This is the only notification you will receive to pay the premium due to continue coverage. If the premium is not paid prior to the effective date of the action listed on the notice, the coverage will lapse.

**Private Passenger Automobile Policies Nonrenewed by the Company**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
<b>9</b>	<b>9</b>	<b>9</b>	<b>100%</b>

An examination of nine (9) files, representing 100% of all private passenger automobile policies nonrenewed by the Company during the exam period revealed nine (9) exceptions (100% of the sample) wherein the company failed to send a notice of nonrenewal containing the information required by Colorado law. The notices failed to advise the insured of the right to replace the insurance through an assigned risk plan, the right to protest the action and request a hearing, that if a protest is filed, coverage will remain in effect until the Commissioner makes a determination, that the Commissioner has the authority to award counsel fees if the action is unjustified and that contained the required premium payment instructions.

**Recommendation No. 6:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-4-720, C.R.S. and Colorado Regulations 1-1-7 and 5-2-3. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its notices regarding nonrenewal of private passenger auto policies to ensure compliance with Colorado insurance law.

**Issue G: Failure, in some cases, to offer to exclude the person with the claim or driving record problem and continue coverage for another household member.**

Section 10-4-719.7(1.5), C.R.S., Refusal to write, changes in, cancellation, or nonrenewal of policies prohibited, states, in part:

- (b) (I) No insurer shall refuse to write a complying policy solely because of the claim or driving record of one or more but fewer than all of the persons residing in the household of the named insured.
- (II) An insurer shall offer to exclude any person by name pursuant to section 10-4-721 in the household if such person's driving record and claim experience would justify the refusal by such insurer to write a policy for such person if such person were applying in such person's own name and not as part of a household.

**Private Passenger Auto Policies Cancelled In The First 59 Days**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
<b>101</b>	<b>50</b>	<b>19</b>	<b>38%</b>

An examination of fifty (50) files, representing 50% of all policies cancelled by the Company in the first 59 days during the exam period revealed nineteen (19) exceptions (38% of the sample) wherein the company failed to comply with Colorado law. Nineteen (19) of the fifty (50) files reviewed had situations whereby a named driver exclusion was required to be offered by the Company. In all nineteen (19) instances, the Company failed to offer to exclude a person with a claim or driving record problem and continue coverage for another household member.

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**Recommendation No. 7:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-4-719.7, C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide written evidence demonstrating that the Company has adopted and implemented procedures regarding named driver exclusion offers to ensure compliance with Colorado insurance law.

**Issue H: Failure, in some cases, to obtain a signed PIP Cost Containment Form.**

Colorado Regulation 5-2-6 [amended], Auto No-Fault Cost Containment Options, promulgated under the authority of sections 10-1-109 and 10-4-706(2), effective December 1, 2000, states, in part: ...

Section 3 Rule

C. Cost Containment Options

5. Insurers must provide disclosure as required under §10-4-706(2)(a)(II) and (f), C.R.S. and use a form which discloses information about the options and which, when completed, contains the insured's signature.
7. A disclosure form does not need to be executed more frequently than when the initial cost containment option is selected, and thereafter whenever a different cost containment option is selected. The insurer will be responsible to maintain the executed disclosure forms as proof that the selection by the insured of a cost containment option was on a voluntary basis and not a condition of providing insurance coverage.

**Private Passenger Auto New Business**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
<b>1498</b>	<b>50</b>	<b>19</b>	<b>38%</b>

An examination of fifty (50) files, representing 3% of all new business policies written during the exam period revealed nineteen (19) exceptions (38% of the sample) wherein the company failed to comply with Colorado law. In all nineteen (19) instances, the Company failed to obtain a signed PIP Cost Containment form for the new policy being written.

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**Recommendation No. 8:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 5-2-6. In the event the Company is unable to provide such documentation, it should be required to provide written evidence demonstrating that the Company has adopted and implemented procedures regarding Cost Containment forms to ensure compliance with Colorado insurance law.

**PERTINENT FACTUAL FINDINGS**

**CLAIMS PRACTICES**

**Issue I: Failure, in some cases, to send a letter to the claimant and/or health care provider setting forth reasons why additional time is needed to investigate a claim.**

Colorado Insurance Regulation 5-2-8, Timely payment of Personal Injury Protection benefits, promulgated by the Commissioner of Insurance under the authority of Sections 10-1-109, 10-4-704, 10-4-708(1.3) and 10-3-1110(1), C.R.S., effective November 1, 1997, amended September 1, 2000, provides, in part: ...

Section 3. Rule

A. Prompt Investigation of PIP Claims

Section 10-3-1104(1)(h)(III), C.R.S., requires insurers to adopt and implement reasonable standards for prompt investigation of claims. An insurer is also required to promptly investigate a claim while it is accumulating claim's expense.

Whenever an insurer requires that an application for benefits form be submitted by an injured party, the insurer shall forward the form to the injured party upon notification of the injury.

When an investigation is incomplete or is otherwise continued, the insurer shall, within 30 days after the documents are received as described in C. below and every 30 days thereafter, send to the claimant or the claimant's representative, and the health care provider, if applicable, a letter setting forth the reasons additional time is needed for investigation.

Where additional information is required to complete an investigation, the insurer shall request such information, specifically listing the items needed to complete the investigation. A copy of such request shall be delivered to the claimant, the claimant's representative, the health care provider or other person or entity most likely in possession of the required information.

D. Notice Requirements

If an insurer does not pay a claim for benefits under §10-4-706, C.R.S. within 30 days of receipt of the appropriate documents described in this regulation and as set forth in §10-4-708, C.R.S., the insurer shall immediately notify the PIP claimant or the claimant's representative and the health care provider, if applicable, of the reason(s) the claim has not been paid. If the claim has not been paid because an investigation is underway, the insurer shall document in the claim file the actions being taken to investigate the claim and the efforts being made to promptly conclude the investigation.

**Private Passenger Auto PIP Paid Claims**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
<b>19</b>	<b>17</b>	<b>4</b>	<b>24%</b>

The Company was unable to supply two (2) of the nineteen (19) files requested. An examination of seventeen (17) files, representing 89% of all PIP paid claim files with payments issued during the exam period showed four (4) exceptions (24% of the sample) wherein the Company failed to send a letter to the claimant and/or health care provider setting forth reasons why additional time is needed to investigate a claim.

**Recommendation No. 9:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Regulation 5-2-8. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its claim settlement procedures to ensure compliance with Colorado insurance law.

**Issue J: Failure, in some cases, to pay personal injury protection benefits in the timely manner required by Colorado insurance law.**

Section 10-4-708(1), C.R.S., Prompt payment of direct benefits, provides, in part: ...

Payment of benefits under the coverages enumerated in section 10-4-706 (1)(b) to (1)(e) or alternatively, as applicable, section 10-4-706(2) or (3) shall be made on a monthly basis. Benefits for any period are overdue if not paid within thirty days after insurer receives reasonable proof of the fact and amount of expenses incurred during that period; except that an insurer may accumulate claims for periods not exceeding one month, and benefits are not overdue if paid within fifteen days after the period of accumulation. If reasonable proof is not supplied as to the entire claim, the amount supported by reasonable proof is overdue if not paid within thirty days after such proof is received by the insurer. Any part or all of the remainder of the claim that is later supported by reasonable proof is overdue if not paid within thirty days after such proof is received by the insurer. In the event that the insurer fails to pay such benefits when due, the person entitled to such benefits may bring an action in contract to recover the same.

Colorado Insurance Regulation 5-2-8, Timely payment of Personal Injury Protection benefits, promulgated by the Commissioner of Insurance under the authority of sections 10-1-109, 10-4-704, 10-4-708(1.3) and 10-3-1110(1), C.R.S., effective November 1, 1997, amended September 1, 2000, provides, in part: ...

### Section 3. Rule

#### B. Prompt Payment of PIP Benefits

Section 10-4-708(1), C.R.S., provides that benefits under the coverages enumerated in Section 10-4-706, C.R.S., are overdue if not paid within 30 days after the insurer receives reasonable proof of the fact and amount of the expenses incurred.

Section 10-4-708(1), C.R.S., allows for the accumulation of claims expense for periods not exceeding one month and provides that benefits are not overdue if paid within 15 days after the end of a defined period of accumulation. An insurer is permitted by this statute to pay a bill within 15 days after the end of a defined accumulation period only when there is a reasonable likelihood that multiple providers are involved and more than one bill is received during the accumulation period.

#### C. Requirements Establishing Proof of the Fact and Amount of Expenses Incurred

##### 1. Medical and Rehabilitative PIP benefits

In the usual case, for purposes of triggering the 30-day time period described in Section 10-4-708(1), C.R.S., the following documents are sufficient to establish reasonable proof of the fact and amount of the expenses incurred for covered medical and rehabilitative PIP benefits:

- a. A properly executed application for benefits from the PIP claimant; and



- b. An initial notice to the insurer from the provider of benefits which meets the requirements of Section 10-4-708.5, C.R.S. or a billing statement for the procedure or treatment which complies with Section 10-4-708.6, C.R.S., and includes pursuant to Section 10-4-708.5 the following:
- (1) The name and address of the treating health care provider;
  - (2) The evaluation of diagnosis, and the medical procedure performed or the medical treatment provided; and
  - (3) An itemized statement of charges corresponding to the medical service or treatment provided along with corresponding dates of service.

**Private Passenger Auto PIP Paid Claims**

<b>Population</b>	<b>Sample Size</b>	<b>Number of Exceptions</b>	<b>Percentage to Sample</b>
<b>19</b>	<b>17</b>	<b>4</b>	<b>24%</b>

The Company was unable to supply two (2) of the nineteen (19) files requested. An examination of seventeen (17) files, representing 89% of all PIP paid claim files with payments issued during the exam period showed four (4) exceptions (24% of the sample) with five (5) instances in the four (4) files, wherein the Company failed to make payment in the timely manner required by Colorado law. In all five (5) instances, the Company made payment later than thirty days after receipt of proof of the fact and amount of expenses incurred.

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**Recommendation No. 10:**

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-4-708, C.R.S. and Colorado Regulation 5-2-8. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its procedure regarding the payment of PIP benefits to ensure compliance with Colorado insurance law.

## SUMMARY OF RECOMMENDATIONS

For

**COLORADO CASUALTY INSURANCE COMPANY**

<b><u>ISSUE</u></b>	<b><u>RECOMMENDATION NUMBER</u></b>	<b><u>PAGE NUMBER</u></b>
<b>Issue A: Failure to maintain some records for market conduct examinations.</b>	<b><u>1</u></b>	<b>21</b>
<b>Issue B: Using a form that was not certified for use during the period under examination.</b>	<b><u>2</u></b>	<b>22</b>
<b>Issue C: Failure to have a policy form or an endorsement attached to the policy that describes the limitations and applicable penalties if a Cost Containment Option is chosen and not used.</b>	<b><u>3</u></b>	<b>24</b>
<b>Issue D: Using a rating component that was not filed during the period under examination.</b>	<b><u>4</u></b>	<b>25</b>
<b>Issue E: In some cases, cancelling a dwelling fire policy for reasons not permitted by the policy conditions.</b>	<b><u>5</u></b>	<b>29</b>
<b>Issue F: Failure to comply with notice requirements when nonrenewing auto policies.</b>	<b><u>6</u></b>	<b>34</b>
<b>Issue G: Failure, in some cases, to offer to exclude the person with the claim or driving record problem and continue coverage for another household member.</b>	<b><u>7</u></b>	<b>35</b>
<b>Issue H: Failure, in some cases, to obtain a signed PIP Cost Containment Form.</b>	<b><u>8</u></b>	<b>36</b>
<b>Issue I: Failure, in some cases, to send a letter to the claimant and/or health care provider setting forth reasons why additional time is needed to investigate a claim.</b>	<b><u>9</u></b>	<b>39</b>
<b>Issue J: Failure, in some cases, to pay personal injury protection benefits in the timely manner required by Colorado insurance law.</b>	<b><u>10</u></b>	<b>41</b>

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&  
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Participated in this examination and in the preparation of this report.